



Alberta Legislature

Office of the Auditor General

Government Accountability

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# Introduction to Accountability

## Defining Accountability

**Accountability is an obligation to answer for the execution of one's assigned responsibilities.**

In simpler terms, accountability is reporting. People account, or report, to other people. Therefore, it is useful to consider accountability in context of the relationships between the people or organizations involved.

The basic ingredients of successful accountability relationships are as follows:

- set measurable goals, and responsibilities,
- plan what needs to be done to achieve goals,
- do the work and monitor progress,
- report on results,
- evaluate results and provide feedback.

In Alberta, many complicated accountability relationships exist among the Government, the Legislative Assembly, and the various operating entities owned or controlled by the Government, including departments, boards and agencies.

The difficult task for the Government is to incorporate a healthy accountability framework into this complex structure.

## Accountability in Government

The Government's vision statement includes a commitment to "...an open, accountable government...". Improved accountability is a necessary step to allow both the Government and the people of Alberta to decide if they are getting value for money.

As a result, the existing accountability framework is undergoing significant change. In the past, Government tended to assign tasks rather than goals. Central agencies were used to enforce rules and control Provincial organizations. The Government is now focusing instead on results and empowering organizations to

achieve results. Effective accountability is replacing the need for bureaucratic control.

Effective accountability means that those managing public resources depend on sound information, not speculation, when determining the effectiveness of Government's programs. This information can take many forms, from the simple to the complex. The test of what is needed is what is useful to decision makers.

To sensibly deal with Alberta's accumulated deficit, decision makers must evaluate performance, and rationalize resource allocations to programs and among programs. To accomplish this, they need to know what the outputs of their programs are, how much they cost, and their effect.

The Province's financial systems need to be improved so that outputs, costs, and the resulting effects of outputs are always linked. In all aspects of financial management, from planning and budgeting to reporting, managers should relate costs to outputs. The process should start with budgeting because that is when priorities and resource allocations are determined.

Measuring and reporting on the effectiveness of public sector programs is in its infancy. At this early stage, defining outputs and determining their cost is an essential first step. Once the outputs and their costs are known, a sound basis will have been established for progressing to a more comprehensive assessment of performance, and value for money.

## The Role of the Auditor General

The Office of the Auditor General provides two basic services, or outputs. The first is an opinion on the fairness of performance reports. The most obvious example of this is our opinion on a financial statement. The second output is recommendations for beneficial change. The major example of the second output is our annual report.

In the future, our clients' needs will change as performance reporting standards are developed for governments, and financial statements are expanded to include other accountability information. For example, financial statements have recently been changed to include budgets and salary information. The Auditor General will be required to meet these changing needs.

The requirement of organizations to record and report full costs, allocate these costs to outputs, and determine the effects of the outputs, should be a primary focus of the Auditor General's

audit activity. This information must be available to the Government and it must be reliable to allow informed quality planning decisions for the future of all Albertans.

## The Purpose of this Document

This document provides a framework for evaluating and improving existing accountability relationships, in particular the relationships between:

- the Government and the operating entities owned or controlled by the Province,
- the Government and the Legislative Assembly.

Guidelines are also provided to help develop and assess the effectiveness of an accountability framework.

The principles embodied in the guidelines and framework can be used to evaluate other accountability relationships, including the relationship between the Offices of the Legislature and the Legislative Assembly, and the accountability relationships within any organization.

This document represents the current thinking of the Office of the Auditor General. We expect it to be modified over time.

Also, we expect that professional organizations will establish standards for performance reporting in government. Standards for reporting on performance have existed in the for-profit sector for some time. These financial reporting standards are known as Generally Accepted Accounting Principles (GAAP). GAAP are designed to provide consistent reporting of the key performance measure of profit. However, profit is not the primary goal of government. As equivalent standards are established for performance reporting on the Government's primary goals, they will replace the material in this document.

This document is primarily for the use of the staff of the Office of the Auditor General. By applying the principles presented, we will be able to identify opportunities for improvement for our clients.



# Guidelines for Accountability

## Introduction

This chapter contains guidelines for assessing the effectiveness of an accountability framework. These guidelines pull together thoughts of various experts, comments by the Government and views of the Office of the Auditor General. They should be used as criteria in our audit activities.

## Guidelines

### **1. Accountability is necessary when responsibility is assigned and authority is delegated.**

As noted, accountability is the obligation to answer for the execution of one's assigned responsibilities. In Alberta, responsibilities are defined in terms of expected results. Organizations are delegated the authority necessary to achieve the expected results within established constraints.

In a command and control environment, decisions are made at the highest levels. However, in an environment where authority is delegated and empowerment is emphasized, Ministers share responsibility and thus have less direct control. This makes it potentially more difficult for Ministers to ensure that their responsibilities are being met and their goals are being achieved. Therefore, an effective accountability framework is required when central control is reduced or eliminated.

### **2. The basic characteristics of accountability information are understandability, relevance, reliability, and comparability. Also, the cost of providing accountability information should not exceed the expected benefit.**

Information included in accountability reports is used to make decisions. These decisions may affect a large number of people and involve millions of dollars. It is important that this information meets certain standards.

Performance information in traditional financial statements must conform to Generally Accepted Accounting Principles (GAAP). GAAP are the standards for determining profit, which is the key measure of performance in the private sector. Equivalent standards of performance do not yet exist in government and the not-for-profit sector. Experience is required before appropriate standards can be established. Nevertheless, we can draw on standards set for financial information to help us determine the basic characteristics for performance information standards in government. These basic characteristics are as follows.

## **Understandability**

The information is presented in a way that can be understood by users and is sufficient to provide an appropriate understanding of an organization's performance. Explaining the appropriate use of the information, how it was compiled, uncontrollable influences, and other factors may assist in understanding the information.

## **Relevance**

The information presented is significant to the assessments and decisions to be made. Extensive detailed information would not normally be relevant. Relevance includes the assertion that the information is timely.

## **Reliability**

The information is free of material error, is unbiased, and is complete. It can be relied upon by the user to represent faithfully that which it purports to be, or that which it can reasonably be expected to represent.

## **Comparability**

Users are able to compare information from year to year and among similar organizations.

## **Cost Beneficial**

Providing accountability information has a cost. The cost of obtaining the information should not exceed the benefits. Analysis of benefits should not be limited to benefits within an organization, but should also include those benefits realized by key users of the information.

Providing information to assess performance and improve decisions is the primary purpose of accountability reports. In Alberta, this assessment is carried out by Members of the Legislative Assembly and voters, who wish to determine if value has been received for money spent. Any assessment of cost benefit should include the benefits realized by these key users of accountability information.

**3. All forms of accountability reporting should present information on outputs.**

Accountability reports include business plans, budgets, annual reports and financial statements. Presentation of information in these reports on a common basis will help users when they assess performance.

The Government delivers outputs to achieve its goals. It must decide between alternative outputs and evaluate the performance of outputs. Therefore, Government needs to know the full cost and effect of outputs. Outputs are the common link among plans, budgets, financial statements and annual reports.

**4. Expected results need to be clearly expressed and must be measurable.**

Because the Government is focusing on results and holding people accountable for achieving those results, there should be a clear understanding and agreement on what results are expected. Also, clear performance measures are required to determine when results have been exceeded, met or not met.

**5. Accountability reports should link information on the costs of outputs with information on their effects.**

Is it cost effective? This is one of the basic questions asked in assessing the performance of an organization. To evaluate cost effectiveness, financial and performance information must be brought together in a meaningful way. Including performance information in plans (including budgets) and traditional financial statements will accomplish this goal.

For any Provincial organization, there should be a few key performance measures which will truly influence decisions. Including these measures in plans and financial statements will bring costs and supplementary performance information together.

The main advantages of including performance measures in plans and performance reports (including financial statements) are:

- they will be directly associated with costs, and therefore the reader will be able to relate costs with results,
- reported results will be audited, and therefore the reader will be able to rely on the information,
- existing reporting structures and systems will be used, meaning that no new and unproven form of reporting is needed,
- legislators and the public will be able to assess plans and results more efficiently.

**6. A Ministry accountability report should include all Provincial organizations accountable to the Minister.**

A Ministry is made up of the organizations assigned to a particular Minister. The Minister then assigns responsibility to these organizations to achieve results. To understand the role of each organization in the Ministry, and to show the full responsibilities assigned to, and achievements of, each Minister, accountability reports of all the organizations should be consolidated in Ministry accountability reports.

**7. Each organization and fund accountable to a Minister should prepare plans (including budgets) and performance reports.**

Ministers assess performance of organizations and funds assigned to them. To do this, all organizations and funds should prepare plans, budgets, financial statements and annual reports. This information is also necessary to prepare consolidated Ministry reports. Generally, organization or fund accountability reports should be tabled in the Legislative Assembly as well as being combined with Ministry information. This information is required to fully assess the performance of a Minister.

**8. Plans should be prepared by those who have been assigned responsibility. The plans should state results to be achieved, actions to be taken and by whom, estimated costs and performance targets. Those who assign responsibility should agree to the plans.**

The first step in the accountability process is to explain how one plans to achieve expected results. Plans are normally developed through consultation among the parties in an accountability relationship. Through this process, responsibilities, authorities and expectations can be clarified. The result is agreement between those who assign responsibility and those who accept it.

Plans should state the purpose of an organization, results to be achieved, strategies, constraints, estimated costs and other resources, and performance measures. Because Ministry results may be achieved through the actions of a number of organizations, plans should also state what responsibility has been conferred to whom.

**9. Performance reports (such as financial statements and annual reports) should compare actual to planned results.**

Ultimately accountability is reporting, and reporting is done in the context of assigned responsibilities. These responsibilities are expressed in the plans agreed to by all parties in an accountability relationship. Because success is a measure of how well the Government, or a Ministry, or an operating entity did relative to its plans, performance reports should provide actual results compared to planned results.

**10. Key accountability reports, including plans, budgets, financial statements and annual reports should be made public.**

Because the people of Alberta elect Members of the Legislative Assembly, the Government is responsible and accountable to the electorate. To make this accountability relationship work, the electorate must rely on its elected representatives to ensure that necessary accountability information is made public.

Information tabled in the Legislative Assembly is public and therefore promotes accountability to the Legislative Assembly and to the people. An effective accountability framework for the Province of Alberta should require the tabling of all key accountability reports.

Accountability reports which should be tabled in the Legislative Assembly include plans, budgets, annual reports and financial statements for the Government, each Ministry and each operating entity. Government reports consolidate Ministry reports, and Ministry reports consolidate the reports of the entities which make up the Ministry. These reports are required to permit separate assessment of the performance of the Government, each Minister and each operating entity.

**11. Published performance information should be audited.**

Performance information is provided to Members of the Legislative Assembly, the public and creditors. These users rely on the information to assess the performance of the Government.

Auditing appropriate information will assure users of the fairness of the information.

Auditors are expected to focus primarily on key performance information of a quantitative nature. Auditors conform to Generally Accepted Auditing Standards in carrying out this work. If an opportunity for improvement is noted, auditors should work with management to bring about change.

Non-financial performance information may be more complex to interpret than traditional financial information. A “description and assessment” may have to be used in addition to a “measure” in order to give a meaningful performance report. Disclosures explaining a performance measure’s relevance, appropriate uses, measurement methods, or assumptions used in developing conclusions may be necessary before auditors are willing to lend assurance as to the fairness of representations made. Also, such information would be useful to the readers of the reports.

**12. Accountability processes within Provincial organizations should be consistent with, and support, accountability to the Minister and the Legislative Assembly.**

People inside, as well as outside, an organization need to assess its performance. A basic principle of the Government’s new performance management framework requires a focus on results and the linking of an organization’s internal plans to the Government’s three-year business plans. Since the information required by both groups is similar, an organization’s systems should be designed to support both sets of needs. This can be accomplished by using outputs as the common basis in accountability reporting.

**13. The main elements of an effective accountability framework should be legislated.**

Plans, budgets, financial statements and annual reports are all major elements of the Government’s accountability framework. Each is needed to assess performance and manage for results.

People may be reluctant to produce accountability information when expected results are not achieved. Ministries and the organizations within them, therefore, must be required to produce accountability information. To ensure lasting and timely compliance, the major elements of the framework should be legislated.

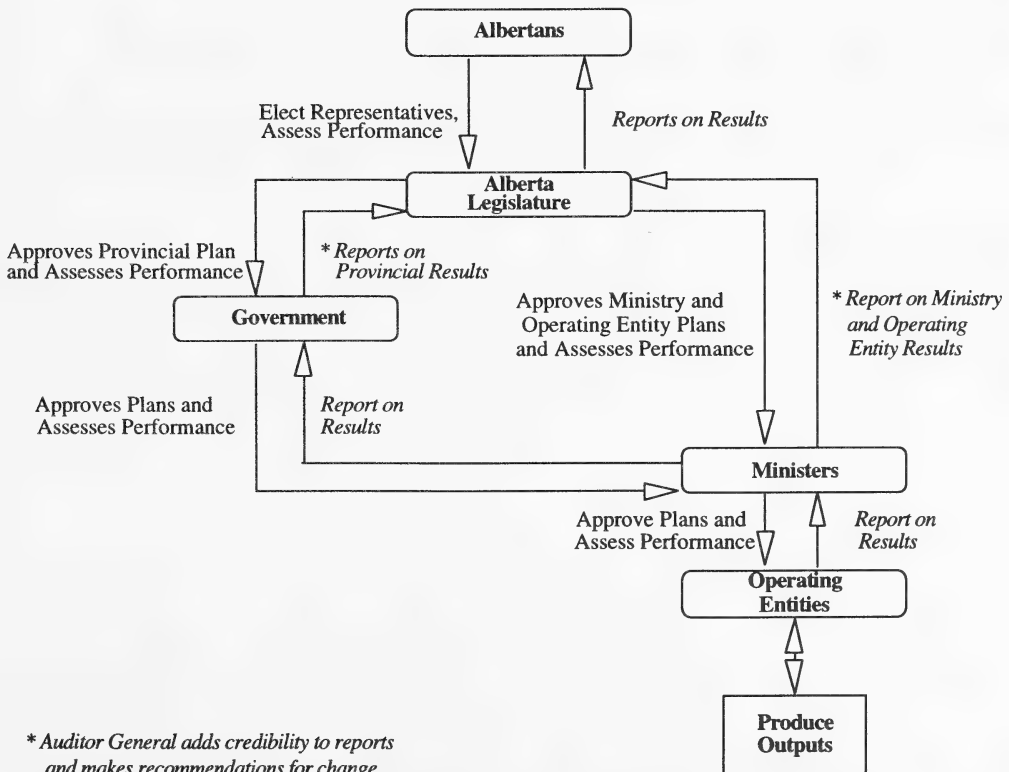
The benefits of a legislative framework include:

- the legislation will foster and focus debate in the Legislative Assembly to improve accountability,
- an enduring system with a consistent format and a common vocabulary will assist users in understanding accountability information,
- the electorate will have the opportunity to suggest improvements through their representatives,
- information will be comparable across organizations, and a means of ensuring compliance will be established.



# A Framework for Accountability

## A Government Accountability Framework



## Introduction

When an organization (or an individual) is assigned responsibility, it must provide a plan, execute the plan, and measure and report real results relative to the plan. The recipient of the report provides feedback, a new plan is developed, and the cycle begins again. This is a basic framework for accountability.

Employing the guidelines presented in the previous chapter, the accountability framework described in this chapter sets out the main relationships of operating entities to the Government, and the Government to the Legislative Assembly. The concepts expressed can also be used to evaluate other accountability relationships.

## Comparing Public and Private Sector Accountability

The following compares responsibility and accountability relationships in the Government with those in the private sector. It is useful to keep this comparison in mind when evaluating accountability relationships.

The Cabinet is in effect the board of directors of a large parent company. It sets policy through its plans, reports and legislation. Members of the Legislative Assembly (as proxy shareholders) hold them accountable on an ongoing basis for achieving their plans. Members of the Legislative Assembly, including the Government and its Cabinet, are also held accountable by Albertans through a general election, in which all shareholders (the electorate) select their representatives and provide them with their proxy.

Ministers are in charge of groups of subsidiary companies (operating entities). It is through these “companies” that the Government conducts business. Ministers are accountable to Cabinet and the Legislative Assembly for the results these companies achieve. Each subsidiary company (operating entity) is headed by an actual board of directors, a Deputy Minister or a chief executive officer. The form of governance used for an operating entity, and the authority it is given, is based on the degree to which the Minister wishes to directly influence its business.

## The Framework

### 1. Set measurable goals, and responsibilities.

First the Government articulates its role in terms of core businesses, which are based on fundamental principles of government. They include health care, education, the economy and individual rights and freedoms.

The Government's policy goals state what it will accomplish in each of its core businesses. For example, a policy goal in the core business of health care is "To encourage and support Albertans to become healthy, self-reliant and productive."

Associated with policy goals are the expected outcomes and performance measures which will be used to assess the success of the Government. Again in the core business of health care, examples of performance measures for an outcome—Albertans should enjoy an independent disability-free life—include the percentage of persons living independently in their communities, the incidence of certain illnesses, and the actual years of disability-free life.

Core businesses, policy goals, outcomes and related performance measures are developed through political processes. These processes have recently included Round Table discussions. Also, analyzing previous government performance provides important information. After evaluating the information, Cabinet and the Government Caucus set out an overall plan for the Government. This plan is reflected in the annual budget and legislation, and expressed in political speeches and policy papers.

Ministers are assigned the responsibility and granted the authority to achieve the expected outcomes. Ministers, working with their operating entities, Caucus and stakeholders, prepare Ministry plans which identify the expected outcomes, and state the strategies to be followed and key measures of success. Ministry plans are also used to assign responsibilities to operating entities. Appropriate authorities accompany the assignment of these responsibilities.

Ministry budgets and plans, consolidated Government plans and budgets, and legislation are presented to the Legislature for approval.

### **2. Plan what needs to be done to achieve goals.**

As noted, Ministry plans state the strategies to be followed to achieve outcomes. These plans identify the operating entities responsible for implementing the strategies, and the outputs that these operating entities will deliver.

Operating entity plans are developed in conjunction with Ministry plans and are reviewed by Ministers and Government Caucus committees. Through the planning process, agreement on outputs is reached among the various parties. The plan can be considered to be a contract between the operating entity and the Minister. It specifies expected outputs, budgeted costs and likely effects in terms of performance measures. Ministers will hold operating entities accountable for the results they achieve relative to their plans.

The operating entity also develops the processes it will use to deliver outputs. Performance measures which can be used to assess the economy and efficiency of processes are also established.

The plans prepared by operating entities are provided to the Legislative Assembly along with the Ministry plan. Performance reports which follow will relate actual results to these plans.

### **3. Do the work and monitor progress.**

This is the stage where most of an operating entity's time and energy is focused. Operating entity plans and commitments now must become a reality. Funds are used to obtain staff and other resources to deliver the outputs. During this time, operating entity heads monitor their organization's performance against its plan, and report progress.

Divisional, functional, and individual work plans all focus on the operating entity goals and the policy goals of the Government. Employees will then understand their organization's goals and how they will contribute to the Government's policy goals.

Systems are set up to collect performance information which compares actual results to planned results. These systems provide detailed information to help individuals manage their work, and performance, and summarize results for operating entity level reporting. All this information is provided so that actions can be taken before emerging problems become serious. Actions include improving processes and redesigning outputs.

#### **4. Report on results.**

The Government reports its results publicly.

Operating entity heads report actual results to their Minister relative to expected results. Ministers then provide operating entity performance reports to Cabinet and table them in the Legislative Assembly. Cabinet and the Legislative Assembly can then assess operating entity results relative to the Government's plans. These reports are the basis of consolidated Ministry reports and help explain Ministry results.

With the assistance of operating entities, Ministers report consolidated Ministry performance information to Cabinet and Members of the Legislative Assembly. They report on results achieved, outputs delivered, and the value received for money spent.

Cabinet reports overall Government performance information to the Legislative Assembly.

The Auditor General adds credibility to the various performance reports tabled in the Legislative Assembly.

#### **5. Evaluate results and provide feedback.**

Evaluating results provides information necessary to determine what needs to change, how changes should be made, and how to improve resource allocations. Evaluations are made relative to plans to determine whether desired outcomes (results) were achieved, progress was made on policy goals, and value was received for money spent.

Evaluations and recommendations for corrective action are provided on a timely basis to influence funding decisions.

Operating entity heads, Ministers, Cabinet, and Members of the Legislative Assembly (through the Public Accounts Committee), are all responsible for the evaluation of performance.

Evaluations performed by operating entity heads, Ministers, and Cabinet are important management tools, but are internal. Evaluations performed by the Legislative Assembly are public and thus critical to the accountability relationship between the Government and Albertans.

The principal role of the Opposition is to question the Government's results and to propose alternatives. The

Opposition demands accountability and provides critical feedback.

The Public Accounts Committee is a non-partisan work group of the Legislative Assembly. Its primary role is to review the Public Accounts and recommendations of the Auditor General. To be effective, it requires the ability to ask questions of Ministers. Ministers are responsible for answering the questions, though they may choose to ask operating entity heads to assist them.

As mentioned earlier, information from evaluations is essential for the Government to develop next year's plans. Evaluations should result in modified operating entity, Ministry, and Government-wide plans. They may indicate a need to modify legislation or regulations as well. Over time, evaluations will lead to an evolution of the core businesses of the Government.

## Examples

### Health Care

Using the core business of health care as an example, the following illustrates the relationship between policy goals, outcomes, outputs, processes, and performance measures. For every policy goal, there are many possible outcomes, outputs, processes, and performance measures.

- Policy goal: a health system which promotes, maintains and improves the health of Albertans.
- Outcome (or expected result): Albertans should have XX years of independent disability-free life.
- Output (to help achieve the outcome): providing home care services, including supplying medical equipment for home use and community rehabilitation.
- Processes (needed to provide home care services): employing nurses or contracting home care services to private agencies, developing and monitoring home care standards, and buying equipment.
- Outcome performance measures might include the average age of seniors maintaining their own residence. Output performance measures might include the percentage of home care caseloads per 1000 population. Process performance measures might include the number

of staff required to provide certain home care services or the cost of home care services.

A direct relationship between policy goals, outcomes, outputs and even processes is not always evident. Assumptions may be required to relate them. For example, it would be difficult to determine and quantify how changes in seat belt enforcement, or changes in environmental laws, or providing dental care under the Alberta Health Care Insurance Program, would contribute to independent disability free living, especially in the short-term.

Measuring and reporting on every possible consequence of an activity could become excessively costly, complicated, and actually hamper performance evaluation and decision making efforts.

In such cases, resources, outputs and associated performance measures should focus on the primary policy goals and outcome objectives they are intended to affect. As discussed earlier in this document, preparing performance reports relative to a few key performance measures contained in plans should best serve this purpose.

## **The Office of the Auditor General**

A policy goal of the Legislature is to audit public resources. This responsibility has been assigned to the Auditor General. The desired outcomes of the Office are “to add credibility to the Government’s performance reporting and to improve the financial administration of the Province”.

The Office’s outputs include audit opinions and annual report recommendations. Audits represent processes directly linked to producing the outputs.

As in the health care example, the relationship between policy goals, outcomes, outputs, and performance measures is not always clear. For example, the benefit to the Government or to an operating entity of implementing a recommendation from our annual report may be difficult to measure. Also, the change may not be exclusively a result of the recommendation. In the case of audit opinions, it is difficult to determine the value added through improved decisions because the audited information was credible.

### The Government's 1994/95 Three Year Business Plans

The framework described throughout this chapter provides a basis for understanding the current accountability framework that exists within the Provincial environment.

Through its three year business plans, the Government, for the most part, has developed and clearly communicated its policy goals and desired outcomes. Not so clearly defined are the specific outputs to be delivered and the specific processes to be used to achieve the desired outcomes.

The Government's document containing its three year business plans, "A Better Way", outlines both the five core businesses of the Government and the policy goals based on these core businesses. The five core businesses identified in "A Better Way" are:

- Investing in people and ideas,
- Building a strong, sustainable and prosperous Province,
- Providing essential services for the health and well-being of Albertans,
- Maintaining a quality system of roads and highways, telecommunications and utilities,
- Providing law, order and good government.

Examples of policy goals identified by the current Government under the core business of "Investing in people and ideas" are:

- To provide the best possible education for all Alberta students, giving them the skills, knowledge and positive attitudes they need to achieve and succeed,
- To ensure that Alberta has a well-educated, productive and talented workforce.

Responsibility for the core business, "Investing in people and ideas", and related policy goals, was assigned to a number of departments and agencies, including Education, Advanced Education and Career Development, and the Alberta Research Council.

The three year business plan for the Ministry of Education outlined outcomes and performance measures which are to support the policy of providing the best education for all Alberta students.

For example, an outcome identified by the Ministry is that Alberta's learning standards should meet the expectations of Albertans. This is to be achieved by focusing education on what

students need to learn and ensuring high standards are established and communicated. Performance measures which will be used to measure progress include:

- percentage of Albertans who are satisfied with the Province's learning expectations and standards,
- satisfaction of employers, post-secondary institutions, and Albertans with high school graduation requirements,
- assessment of Alberta learning standards by a third party and comparison of Alberta curriculum learning expectations and standards with those in other Provinces and countries.



# Definition of Terms

The terms defined in this chapter represent our understanding of them, for the purposes of this document.

## Accountability Reports

Accountability reports include **plans** and **performance reports**.

Plans, which include **budgets**, provide a means of documenting purpose, policy goals, expected outcomes, output strategies, processes, resource requirements and performance measures. Plans are contracts between politicians and management that establish performance expectations and accountability relationships.

Performance reports present financial results, actual outputs, and outcomes (or impacts), relative to planned performance targets. Performance reports normally include **financial statements** and **annual reports**. Performance reports present information that will allow performance to be evaluated, feedback to be provided, and informed planning decisions to be made.

## Core Businesses

Core businesses are broad statements of purpose that set out the role of the Government.

## Government

**Government** is the political party responsible for governing the Province. This is almost always the party with the largest number of elected Members in the Legislative Assembly. All the elected Members of a party form its **Caucus**. **Ministers** are selected by the Premier from the Government Caucus to form the **Cabinet**, which is headed by the Premier. Cabinet is also known as the **Executive Council**. Cabinet and the

Lieutenant Governor together are called the **Lieutenant Governor in Council**.

## Inputs

Inputs are the **resources** consumed in producing outputs.

## Legislation

Legislation provides the Government with the authority to act on policy goals and establishes constraints within which it must operate. It sets out and clarifies responsibilities. Legislation is also used to establish the framework for accountability of operating entities to the Government and the Government to the Legislative Assembly.

## Ministries

A Ministry is made up of the group of operating entities assigned to a Minister, for which the Legislative Assembly holds the Minister accountable. Typically, a Minister's goals are accomplished through these groups of entities.

A number of operating entities exist which are not assigned to a Minister. Examples of such organizations in Alberta are the Offices of the Legislature. Other types of entities exist in other jurisdictions. Typically these entities report directly, or through a Committee of the Legislative Assembly, to the Legislative Assembly. For the purpose of this document, we have treated these entities as Ministries.

## Operating Entities

An operating entity is an organization or fund which is owned or controlled by the Province.

An entity is owned when it has been created or acquired by the Province. Also the Province, directly or indirectly, holds title to a majority of the entity's shares, and these shares carry the right to appoint a majority of the members of the board of directors. Alternatively, an entity is owned if the Province has the ongoing right to access the net assets of the entity.

An entity is controlled by the Province, if the Province has the authority to determine the financial and operating policies of the organization without the cooperation of others. Authority should be considered in terms of existing law, since the Province has

the power to enact laws which could alter its control over or expropriate net assets of almost any entity.

The key is the existence of authority whether it is exercised or not. Inherent in the concept of control is the ability to direct the entity so that the Province can pursue its own objectives.

The Province may act directly through legislation or indirectly through appointed boards of directors or senior management. The Province is presumed to have control when it can appoint a majority of the directors. However, in some cases legislation requires the Province to appoint nominees selected by others. When the Province does not have the authority to remove these appointees then it may not have control.

## Operating Entity Heads

Operating entity heads are Deputy Ministers, boards of directors and chief executives depending on the type of entity.

## Outcomes

Expected outcomes are determined to bring sharper focus to policy goals by specifying expected **impacts**, or **results**, in measurable terms. Outcomes are the **objectives** of Government, and the **goals** of Ministries in “A Better Way” (the Government’s business plans).

## Outputs

Outputs are the goods and services actually delivered in order to achieve outcomes. In “A Better Way”, **strategies** generally describe outputs.

## Performance Measures/Indicators

Performance measures are targets or standards of achievement. They may include **benchmarks** and **baseline targets**. Benchmarks are developed from information about best performers in an industry, while baseline targets are standards set internally, and may be based on previous results. Performance measures provide direct information on the achievement of a goal, while performance indicators provide indirect information. For the purposes of this document we are treating indicators as a subset of measures.

Outcome measures are portrayals of performance relative to policy goals. Generally, performance on policy goals can not be measured directly. There are two primary types of performance measures or indicators.

**Effectiveness** measures are measures of the effect, or impact, of goods and services, or outputs, on outcome objectives. They are measures of results. By linking costs to effects, through outputs, measures of cost effectiveness may be provided. In some cases direct measurement of the effect of program outputs is not practical or may only be practical after several years. Performance indicators may support a qualitative assessment of performance in such situations. Examples of indicators include output quality, quantity, and distribution, and the opinions of service users. Also, indicators may be used to provide more timely information on short-term results.

The second type of measures are those that provide information on **economy** and **efficiency**. These measures provide information on the processes used to produce intended outputs, process costs, the costs of inputs, and the costs of the outputs. These measures are primarily of interest to persons who manage the processes and the acquisition of inputs.

## Policy

Policy represents the Government's interpretation of how its role can be fulfilled. Policies are expressed through the **goals** of the Government.

## Processes

Processes are the **means** employed to transform inputs into outputs.

## Regulations

Regulations clarify responsibilities and associated authorities, related constraints, and may prescribe outputs, processes, performance measures and reporting requirements. Regulations may be established by Orders-In-Council, Ministerial orders, Treasury Board directives, and Provincial Treasurer directives.



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